CB RICHARD ELLIS
MarketView

Asia Pacific Prime Retail

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Q2 2011

Quick Stats

	Change from 6 months	Change from 1 year
Economic growth	↓	↓
Retail Sales	↓	↑
New Supply	↓	↓
Rent	↑	↑

Hot Topics

- Rental growth in the Pacific accelerates to 6.8% y-o-y, up from 3.1% y-o-y in the first quarter, as strong demand from luxury and fast fashion retailers supports rental growth in Sydney and Melbourne
- A committee of government secretaries in India approves the opening of multi-brand retail to foreign direct investment, although final approval by the Cabinet is still pending
- Rents expected to continue to rise in Asia although the rate of growth will begin to moderate as new supply comes on stream in a number of key markets and consumers turn more cautious amid the deteriorating global economic outlook

OVERVIEW

- **Retail sales growth remains solid across most key markets**
  Retail sales growth remained brisk in most parts of the region during the second quarter, rising by 8.2% y-o-y in May (excluding Japan). Manufacturing activity slowed considerably, however, partly due to disruption in the regional supply chain caused by the Japan quake and tsunami. Whilst economic fundamentals in Asia Pacific remained positive, concern was growing over the broader global picture as the United States narrowly avoided default and the situation in the Eurozone worsened.
- **Prime retail rental growth gathers pace**
  The CB Richard Ellis Asia Pacific prime retail rental index continued to strengthen in the second quarter as growth accelerated to 5.3% y-o-y. The figure was an improvement on the 4.1% y-o-y growth recorded in the first quarter and rental growth is now back to where it was prior to the onset of the global financial crisis in mid-2008. Greater China recorded robust growth of 12.3% y-o-y whilst the Pacific re-emerged as a driver of growth during the period, rents rising by 6.8% y-o-y.
- **Fast fashion retailers remain active, particularly in Greater China**
  The second quarter saw further expansion by domestic and international retailers with fast fashion stores continuing to account for the majority of prime leasing deals. This group of retailers were particularly active in Greater China and appeared to be gradually replacing luxury brands as the main driver of demand. Watch and jewellery retailers, department stores and F&B outlets were also in expansion mode.
- **Large quantum of new supply in Asia will likely curb rental growth**
  Worries remain over the scale of new supply in the pipeline with 35 million sq. ft. of new retail space scheduled to be completed in 2011, around 80% of which is set to come on stream in the second half of the year. The development pipeline in the Pacific remains limited, however. Rents are expected to continue to rise in Asia although the rate of growth will begin to moderate as new supply is completed in a number of key markets. Retail spending in the Pacific is expected to remain soft, a trend which may cause rental growth to ease once again.

Asia Pacific Rental Cycle, Q2 2011

Note: Markets do not necessarily move along the curve in the same direction or at the same speed.

Rent in Hong Kong, Taipei, Tokyo and the Pacific region is quoted from street shops;
Rent in China (namely Beijing, Shanghai and Guangzhou) and Southeast Asia is quoted from shopping centres or retail podiums

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RETAIL ECONOMICS

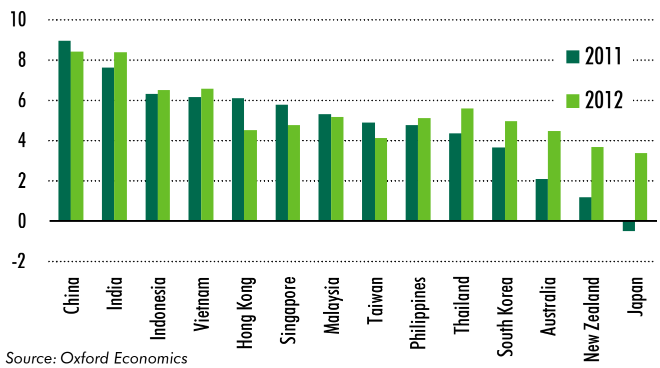
Economic growth in Asia Pacific slowed in the second quarter as the region adjusted to the impact of a number of natural disasters including those which struck Japan and the Pacific early in the year. Retail sales growth and business expansion remained brisk in most parts of the region but manufacturing activity slowed considerably, partly due to disruption in the regional supply chain caused by the March 11 Japan earthquake and tsunami. Consumer confidence in Japan began to improve during the period, however, and also strengthened in New Zealand as the country continued to recover from the February 22 Christchurch quake. The Australian economy has been slower to bounce back from January's Queensland floods than had originally been anticipated but growth is expected to pick up to 4.0% in 2012.

The tight labour market continued to support strong consumer confidence and retail sales growth in most markets in the second quarter. IHS figures showed that regional retail sales growth (excluding Japan) stood at 8.2% y-o-y in May, a similar figure to that which was recorded in the first quarter. Markets in Greater China led the way once again with Hong Kong recording retail sales growth of 29% y-o-y in June. Elsewhere, Japan enjoyed its first positive retail sales growth since the quake, posting a 1.1% y-o-y rise in June. Growth in New Zealand also expanded thanks to a recovery in spending on household goods. In Australia, retail trade fell 0.1% m-o-m in June (seasonally adjusted terms), with annual trend growth a disappointing 1.7%.

Although retail markets largely remained in good shape overall the immediate outlook continues to be overshadowed by the prospect of rising inflation. The CPI for Asia accelerated by 1.5% to stand at 4.4% at the end of the first half and almost all central banks in Asia are tightening monetary supply and/or raising interest rates. The Australian Consumer Price Index rose a stronger than expected 3.6% through the year to June, compared with a rise of 3.3% through the year to March. This is a reminder of the upward pressure which remains on interest rates in Australia, despite the current low level of retail trade.

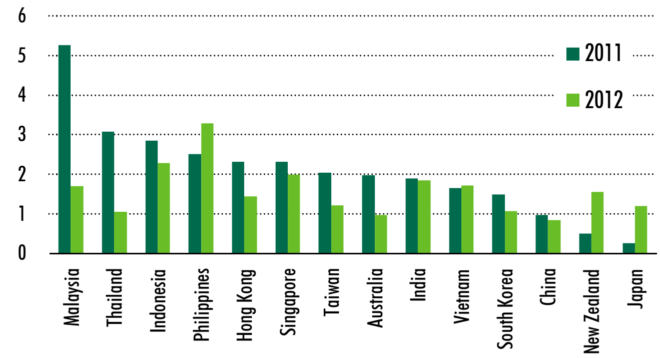
Economic fundamentals in Asia Pacific remain positive overall but doubts remain over the broader global picture. Despite the United States narrowly avoiding default in early August, there are signs that the world's biggest economy may be close to slipping back into recession. In Europe, meanwhile, the debt crisis appears to be deepening with Spain and Italy edging closer to the precipice. Further deterioration in the United States and Eurozone would have a knock on effect on the regional economy. This factor, coupled with persistent high inflation, will likely weaken domestic demand, which has been the major growth driver in the region over the past 18 months.

GDP growth, y-o-y %



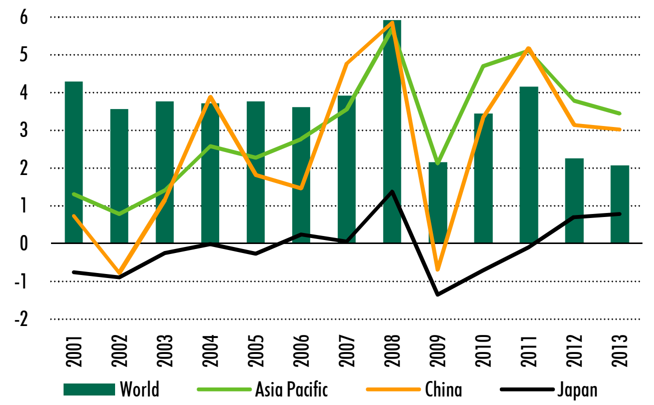
Source: Oxford Economics

Employment growth, y-o-y %



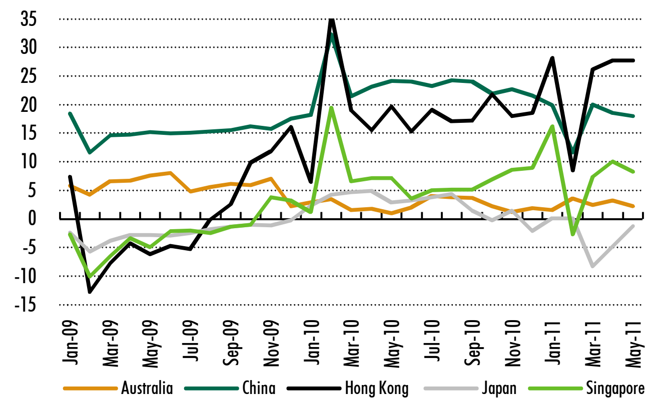
Source:: Oxford Economics

Inflation rate by country (%)



Source: Oxford Economics

Retail sales growth, y-o-y%



Source: IMA Asia

RETAIL RENTS

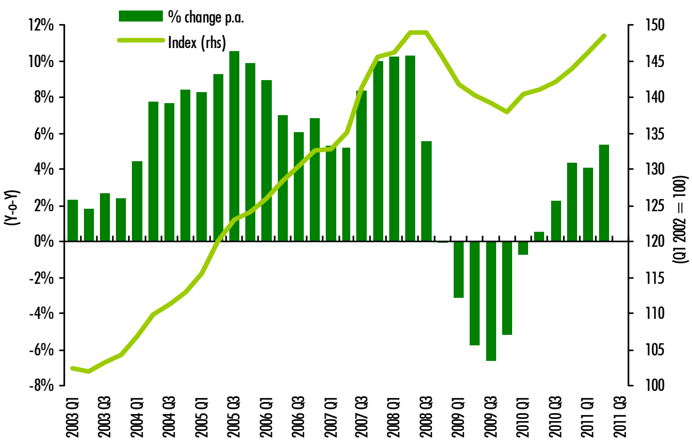
The Asia Pacific prime rental index comprising 16 major markets across the region continued to strengthen in the second quarter as growth accelerated to 5.3% y-o-y. The figure was higher than the 4.1% y-o-y growth recorded in the first quarter and rental growth is now back to where it was prior to the outbreak of the global financial crisis in mid-2008. Pacific markets were a key driver of growth during the period thanks to strong demand from retailers for prime locations in Melbourne and Sydney. Greater China continued to record robust growth, with rents rising 12.3% y-o-y, although the rate of expansion slowed on a q-o-q basis. In Japan, rents in prime locations of core retail areas in Tokyo held firm despite weak consumer demand following the March 11 earthquake and tsunami.

Beijing led rental growth in Greater China with average prime rents in the city rising by 6.1% q-o-q thanks to better than expected pre-commitment rates in new projects and rising rents in existing malls on the back of strong demand, particularly from international fast fashion retailers. Rents in Shanghai also posted strong gains, edging up by just under 5.0% q-o-q, whilst Hong Kong enjoyed another solid quarter as landlords remained confident about the economic outlook and consequently demanded higher rents. New malls offering rental discounts to attract potential tenants continued to exert downward pressure on rents in Guangzhou, although the rate of decline began to ease and occupancy improved.

The rental decline in Southeast Asia narrowed to 2.5% y-o-y as improved consumer spending helped several markets adjust to the recent addition of new supply. Rents in Hanoi recorded a rise following the opening of the new Pico Mall, although overall demand was weak and the revival could be short-lived. In Tokyo, demand for retail space understandably turned weaker following the quake, and local and foreign retailers are unlikely to resume expansion plans until there are clear signs of improvement in consumer sentiment and the broader economic picture. Rents in prime locations were nevertheless largely unchanged although some submarkets recorded marginal declines.

Rental growth in the Pacific accelerated to 6.8% y-o-y, up from 3.1% y-o-y in the first quarter, although rental performance diverged across the various markets. Strong demand for super prime retail space in core locations from luxury and fast fashion retailers supported rental growth in Sydney and Melbourne, the latter surging by 11.9% q-o-q. In Auckland and Wellington tight supply and strong demand ensured rents remained firm. A number of Pacific markets did not fare so well, however, with weak retail sales and rising vacancy levels exerting downward pressure on prime rental growth in Adelaide and Brisbane.

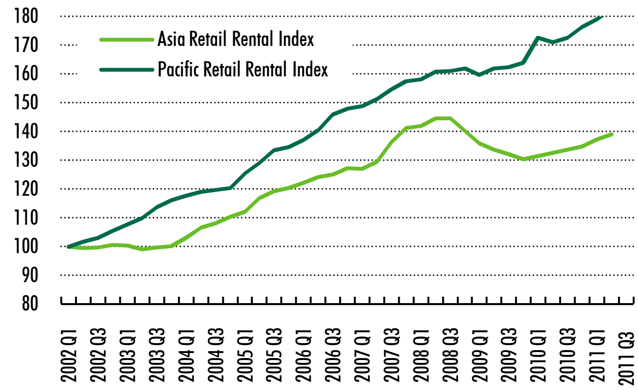
Asia Pacific Retail Rental Index, Q2 2011



	Q2 2011		Q1 2011	
	q-o-q	y-o-y	q-o-q	y-o-y
Index	1.64%	5.34%	1.64%	4.07%
Asia	1.36%	4.93%	1.83%	4.34%
Pacific	2.63%	6.78%	0.96%	3.07%

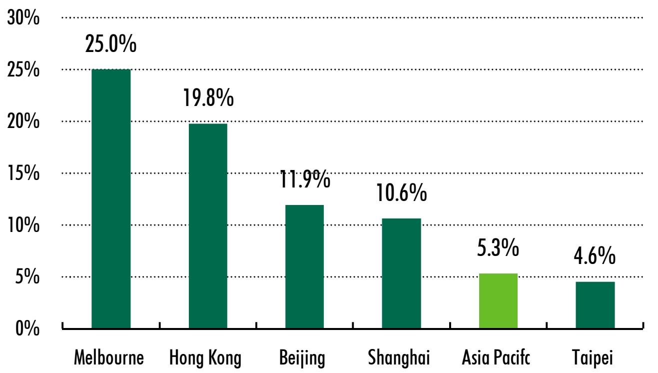
Source: CB Richard Ellis

Asia and Pacific Retail Rental Index, Q2 2011



Source: CB Richard Ellis

Cities with the largest average prime rental growth, y-o-y



Source: CB Richard Ellis

RETAILER ACTIVITY AND KEY RETAIL TRENDS

The second quarter saw expansion by domestic and international retailers as retail sales recorded brisk growth and consumer confidence remained firm. In Greater China the main driver of demand shifted from luxury brands to fast fashion, with retailers in the latter sector completing several notable leasing deals. The watch and jewellery, cosmetics, supermarket, electronics and F&B sectors were also active.

Fast fashion retailers continued to account for the majority of prime leasing deals and were particularly active in Greater China. Abercrombie & Fitch made the headlines in Hong Kong after signing a reported HK$7 million per month lease on a 32,000 sq. ft. unit in the Pedder Building in Central presently occupied by Shanghai Tang. In Beijing, Forever 21 leased 14,000 sq. ft. in the Beijing APM Mall whilst Dsquared2 took up 4,300 sq. ft. in Sanlitun Village. American Eagle Outfitters opened its first store in China on the Nanjing West Road in Shanghai and H&M opened its biggest shop in the country in a 32,300 sq. ft. unit in the same area. In Guangzhou, UNIQLO opened new branches in Pearl River New City and Jiangnanxi, in addition to opening a new store in Kuala Lumpur. Zara launched its second store in Guangzhou at Onelink Walk and also announced plans to open a shop at the Taipei 101 Mall before the end of the year.

Luxury brands were also active but less so compared to previous quarters. Roberto Cavalli announced its intention to open 85 new stores across China within the next five years whilst Sergio Rossi began the process of buying back its China franchises and unveiled plans to open flagship stores in a number of major cities. In Hong Kong, Coach leased 6,600 sq. ft. at the Mira Hotel in Kowloon, whilst in Guangzhou, Gucci took up space at Le Perle Plaza. The newly renovated Seoul Shinsegae Department Store in Incheon opened during the period featuring luxury brand stores including Louis Vuitton, Prada and Cartier. In New Delhi, Swiss leather brand Bally made its first foray into the Indian retail market, launching a store at DLF Emporio.

Watch and jewellery retailers remained in expansion mode in Hong Kong with Artland Watch leasing a space at Mirador Mansion in Tsim Sha Tsui and Chow Tai Fook occupying a unit in Mong Kok. In Australia, George Jensen and Swarovski occupied space at the Wintergarden refurbishment in the Brisbane CBD whilst Longines launched a new store in the Sydney CBD.

Also during the period, a committee of government secretaries in India approved the opening of multi-brand retail to foreign direct investors. Reports say foreign firms will be able to take a majority stake of 51% in an investment, although final approval of the new regulations by the Cabinet is still pending.

Major Asia Pacific Leasing Transactions in Q2 2011

City	Property	Size ('000 sf)	Tenants
Beijing	XinAo Shopping Centre	397.4	Rainbow Department Store
Taipei	Taipei Main Station (K zone)	160.1	Eslite Taipei Station
Guangzhou	Gate 5 Mall	53.8	JUSCO
Shanghai	Xintiandi Style	34.4	Bazaar by Lotus
Shanghai	No. 881 Nanjing West Road	32.3	H&M

NEW SUPPLY AND MARKET OUTLOOK

New supply during the second quarter doubled compared to the first three months of the year but nevertheless remained at a relatively modest level compared to previous quarters. Beijing and Kuala Lumpur recorded the largest quantum of new completions with each city welcoming around 1.0 million sq. ft. of new retail space to the market. The vacancy rate in both cities remained stable during the period, reflecting the strong absorption of new supply.

The large amount of new supply in the pipeline remains a major concern with 35 million sq. ft. of new retail space scheduled to be completed in 2011, around 80% of which is set to come on stream in the second half of the year. Beijing, Guangzhou, Hanoi and Ho Chi Minh City will see a particularly large volume of new completions, although most will be located in non-core areas. Whilst these new malls will provide space to meet the needs of international retailers looking to expand, they could also result in increased competition among landlords, who could be forced to offer rental discounts or other incentives to secure tenants. Elsewhere in Greater China, new retail supply will remain tight in Hong Kong and Taipei, and both markets are anticipated to enjoy further rental growth.

The development pipeline in the Pacific remains limited with the second quarter only seeing the partial completion of the refurbished Wintergarden complex in the Brisbane CBD. New supply to be delivered this year includes a few smaller schemes in Perth and the Melbourne CBD. Elsewhere, Raine Square, which will provide 140,000 sq. ft. of new retail space in the Perth CBD, has had its completion postponed until 2012.

Rents are expected to continue to rise in Asia although the rate of growth will begin to moderate as new supply comes on stream in a number of key markets and consumers turn slightly more cautious. Retail spending in the Pacific is expected to remain soft, a trend which may cause rental growth to ease once again, unless rents in Melbourne, the main growth driver in the region, are able to maintain their current rate of growth in forthcoming quarters.

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KEY INDICATORS

Shopping Mall Premium Retail Rents

Country	City	Local rent currency and measurement	Premium Rent (Local currency and measurement)	Premium Rent (US$ psf/ annum)	Last 3 Months q-o-q (%)	Last 12 Months y-o-y (%)
China	Beijing	RMB sq. m. p. d.	93	489.7	7.7	40.0
China	Shanghai	RMB sq. m. p. d.	80	419.4	0.0	14.3
China	Guangzhou	RMB sq. m. p. d.	111	582.5	0.0	0.0
Malaysia	Kuala Lumpur	RM sq. ft. p.m.	107	425.1	0.0	1.9
Philippines	Manila	PHP sq. m. p.m.	1,095	28.1	2.3	1.9
Singapore	Singapore	S$ sq. ft. p.m.	49	482.9	0.0	-5.2
Thailand	Bangkok	THB sq. m. p.m.	3,003	109.0	0.0	0.0
Vietnam	Ho Chi Minh City	US$ sq. ft. p.m.	22	269.8	0.0	-10.7
Vietnam	Hanoi	US$ sq. ft. p.m.	13	161.7	0.0	7.4

Street Shop Premium Retail Rents

Country	City	Local rent currency and measurement	Premium Rent (Local currency and measurement)	Premium Rent (US$ psf/ annum)	Last 3 Months q-o-q (%)	Last 12 Months y-o-y (%)
China	Hong Kong	HK$ sq. ft. p.m.	1,100	1,696.6	0.0	57.1
Taiwan	Taipei	NT$ sq. m. p.m.	8,101	313.1	2.9	13.5
Japan	Tokyo	JPY ptsubo p.m.	199,000	831.1	0.0	0.5
India	New Delhi	INR sq. ft. p.m.	539	144.8	0.0	12.7
Australia	Sydney	A$ sq. m. p.a.	8,060	801.8	0.0	0.0
Australia	Melbourne	A$ sq. m. p.a.	7,500	746.1	11.9	25.0
Australia	Adelaide	A$ sq. m. p.a.	3,333	331.6	0.0	4.2
Australia	Brisbane	A$ sq. m. p.a.	5,045	501.9	-9.4	-9.4
Australia	Perth	A$ sq. m. p.a.	3,788	376.8	0.0	0.0
New Zealand	Auckland	NZ$ sq. m. p.a	2,400	184.1	0.0	2.4
New Zealand	Wellington	NZ$ sq. m. p.a	2,217	170.1	0.0	2.3

Note: * Retail rents in Asia Pacific markets represent the best retail rents in the prime retail locations.

Rents quoted for Asia are the premium retail rents of ground floor shops on main streets or shopping malls with an area of around 1,000 sf. Hong Kong, Taipei and Tokyo track rents in street shops while Beijing, Shanghai, Guangzhou, Singapore, Manila, Bangkok and Kuala Lumpur track rents in shopping malls.

Rents quoted for Australia are net face super prime rents. Super prime retail refers to main street or mall frontage units (>80 sq. m) located in the core precinct of the CBD.

Rents quoted for New Zealand are net face prime rents. Prime retail refers to good quality main street or mall retailing areas (>80 sq. m) in geographically strategic locations within the overall CBD.

Exchange Rate (as of 30 June 2011)

Country	Exchange rate to US$	y-o-y (%)	Country	Exchange rate to US$	y-o-y (%)	Country	Exchange rate to US$	y-o-y (%)
China	6.47	4.6	India	44.70	3.5	Vietnam	20,514	-7.6
Hong Kong	7.78	0.0	Malaysia	3.02	6.8	Australia	0.93	21.6
Taiwan	28.84	10.6	Philippines	43.38	6.4	New Zealand	1.21	17.1
Japan	80.75	8.6	Singapore	1.23	12.3			
South Korea	1,067.6	12.6	Thailand	30.71	5.2			

Note: Positive y-o-y % currency change indicates that the local currency has appreciated to the US$

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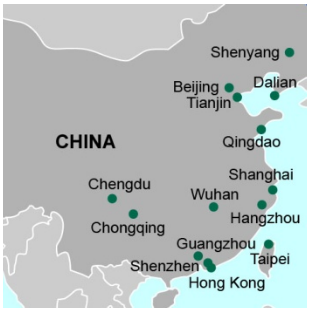
MARKET SUMMARIES



GREATER CHINA

Average rents in **Hong Kong** increased 2.2% q-o-q as demand for quality retail space remained strong and landlords continued to raise rents. International retailers seeking to establish a presence in Greater China continued to snap up prime locations, as reflected by the Abercrombie & Fitch deal in Central. The outlook for the second half is bright with the robust labour market and rising household income set to spur further retail sales growth.

Retail sales in **Beijing** amounted to RMB 266.9 billion in the first five months of 2011, a rise of 11% y-o-y. Average rents for ground floor space surged by 6% q-o-q to RMB 35.9 per sq. m. per day. Major deals included Rainbow Department Store committing to 37,000 sq. m. in Xinao Shopping Centre and Forever 21 and Apple leasing space in the APM Mall. Rents in prime locations are expected to continue to rise going forward on the back of surging demand.

The **Guangzhou** retail market continued to record robust growth with retail sales totaling RMB 199 billion for the first five months of the year, a rise of 15.5% y-o-y. Rents finally appeared to be on the verge of stabilising, recording a slight decline of 0.7% q-o-q to register RMB 46.9 per sq. m. per day. The recovery may be short-lived, however, with seven new malls slated for completion in the second half. Fast fashion retailers remained active with UNIQLO opening two new stores and Zara launching its second in the city.

Shanghai enjoyed another buoyant period as rents for prime ground floor and first floor retail space recorded q-o-q growth of 4.8% and 1% to RMB 52.5 and RMB 38.8 per sq. m. per day respectively. Fast fashion retailers continued to expand with H&M and American Eagle Outfitters both opening new shops. IKEA opened its largest store in Asia in Beicai and CP lotus launched its Bazaar by Lotus food brand at a 34,400 sq. ft. venue in Xiantiandi. Given the strong demand for quality retail space at present, rents are expected to continue to edge upwards in forthcoming quarters.

Average rents in **Taipei** increased slightly by 50 bps q-o-q as leasing activity was constrained by the limited availability of high street shops. Fast fashion retailers including UNIQLO and Zara announced plans to open new stores whilst F&B outlets were also active. The mainland Chinese Free Independent Traveler (FIT) scheme came into effect in late June and is expected to boost retail spending. Rents are expected to remain on an upward trend on the back of stable economic growth and robust consumer sentiment.

NORTH ASIA

Tokyo continued to adjust to the impact of the March 11 earthquake and tsunami with consumer confidence falling sharply and retail sales in March declining 8.3% y-o-y. However, sales were down by 4.8% y-o-y in April and 1.3% y-o-y in May, showing that the decline was gradually narrowing. No major leasing transactions were completed and rents in the major retail districts were either flat or recorded a small decline. Retailers will wait for signs of a strong recovery in personal spending and the wider economy before committing to new stores. Rents are likely to remain flat over the next six months.

Worries over inflation continued in **Seoul** with the Consumer Price Index (CPI) recording growth of 4.4% in the second quarter. Major highlights from the period included the opening of the renovated Shinsegae Department Store in Incheon which has expanded from 533,000 sq. ft. to 710,000 sq. ft. and now includes a number of luxury brand stores including Louis Vuitton, Prada, Cartier, Salvatore Ferragamo and Tiffany & Co. Also during the period the Korea-European Union Free Trade Agreement officially came into effect and should result in lower prices for wine, cheese, beef and leather goods.

SOUTH EAST ASIA

The retail leasing market in **Singapore** remained active in the second quarter, underpinned by stable economic growth, low unemployment and healthy consumer spending. The monthly average rent for Prime Orchard Road space remained at S$30.10 per sq. ft. per month, unchanged from the previous quarter. The period continued to see new-to-market labels including Aeropostale and Smiggles open stores as well as rapid expansion by recent entrants such as Garrett and Candylicious in the Orchard Road submarket.

GDP in **Hanoi** grew by 9.3% y-o-y in the first half of 2011 although there were signs that consumers were adopting a more conservative attitude towards spending. Rents posted a rise following the launch of several new malls but demand was generally weak and future rental increases are by no means assured. Fashion retailers were most active with G2000, Mexx, Naf Naf and Valentino Creations all committing to space in the new Pico Mall. New supply in the pipeline may force developers to offer more incentives and discounts to secure tenants.

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Average rents in **Ho Chi Minh City** continued to edge upwards, rising 2.3% q-o-q and 3.2% y-o-y, thanks to strong demand from retailers for space in the CBD. BreadTalk, Levi's, Durrance Cosmetis, Chanel cosmetics and Honeyta all completed leasing transactions during the period. There are concerns that consumer spending will be unable to keep pace with the growth in retail space, which is expected to triple to over 9.7 million sq. ft. by the end of 2014.

In **Bangkok** the Consumer Confidence Index (CCI) rose from 79.6 in April to 80.4 in May whilst the Retail Sales Index edged up by 7.8% y-o-y in April as the economic picture continued to improve. Overall rents remained unchanged on a q-o-q basis. Both overseas and domestic retailers competed to secure prime retail space although it was local retailers, particularly those operating in the F&B sector, which were most active.

Average prime retail rents in **Kuala Lumpur** remained largely unchanged. UNIQLO opened its second outlet nationwide at a 7,862 sq. ft. shop in Suria KLCC whilst F&B retailers were also expanding their footprint. Nine new malls will bring 4.0 million sq. ft. of new supply to the market before year-end although just two are located in the city centre and pressure on rents in core areas is therefore expected to be minimal.

Retail spending in **Manila** picked up during the second quarter thanks to school related spending ahead of the new academic year. Rents went up as the volume of shoppers and retail sales increased, whilst the vacancy rate remained stable. International F&B and fashion brands continued to open new stores across the city with high-end men's apparel retailer Van Laack a notable new entrant on the city's retail scene.

Rents in **New Delhi** recorded increments ranging from 4-5% in Connaught Place and 7-8% in South Extension as the positive economic outlook encouraged consumers to spend. The quarter saw a noticeable rise in leasing activity with international brands including Bally, Clarks, Diesel, Lacoste, M&S, Quicksilver and Vans all opening new stores.

PACIFIC

Super prime retailers in **Sydney** continued to reposition and/or retire underperforming stores in the CBD, causing vacancy to rise during the second quarter. With the active sub-lease market continuing to impact George Street, King Street and Martin Place, prime rents continued to decline. Demand from specialist retailers maintained super prime rents at AU$8,060 per sq. m. With direct CBD retail vacancy at 3.1%, global and boutique retailers could take advantage of current opportunities at attractive rents.

Tight supply and competition for units by international retailers led to an increase in super prime rents in the Bourke Street Mall in **Melbourne**. Prime rents largely remained stable, albeit with some areas recording small increases. Major retailer movements in the CBD largely involved a number of local brands committing to the soon to be opened second phase of Melbourne Central's refurbishment, along with the signing of Swarovski to the Bourke Street Mall.

Despite a recent pick up in retail spending following a number of natural disasters, super prime and prime rents fell throughout the **Brisbane** CBD during the second quarter as a number of national retailers delayed or abandoned tenancy commitments. The period also saw an increase in the number of vacant units due to several retailer failures including Borders and Colorado. This is likely to place pressure on the incentives being offered by landlords, although rents are expected to remain stable over 2011.

The **Perth** CBD retail market continued to record strong fundamentals although recent completions led to a marginal correction in super prime and prime rents. The forthcoming 13,000 sq. m. Raine Square project should keep a further check on rents going forward. The city is a strong growth market due to the anticipated resources boom and rental growth could therefore return in 2012.

Soft trading conditions and an increase in vacancy due to a number of receivership closures put pressure on rents in the **Adelaide** CBD in the second quarter. Super prime and prime rents along Rundle Mall remained stable. However, as a number of stores along the mall have already been affected by the closure of the Borders and Colorado groups, with more due to be vacated in coming months, rents in the CBD are likely to ease over the remainder of 2011.

Retail units on the Queen Street 'golden mile' in **Auckland** are tightly held by local and global retailers on long term leases due to high footfall and exposure. Vacancy levels in this location have therefore remained low over the past year and maintained prime rental levels in the second quarter despite a challenging macro environment. The Britomart precinct is emerging as a popular entertainment and lifestyle location in which Nike has opened its first branded store in New Zealand and Ted Baker is due to open its first in August.

Consumer confidence in **Wellington** improved in the second quarter and the retail market performed steadily. Strong demand was beginning to place pressure on supply, particularly along the tightly held Lambton Quay 'golden mile', which is almost at full occupancy. With no new developments currently planned for the Lambton Quay area it is likely that prime rents will come under upward pressure in the medium term, particularly as momentum grows around September's Rugby World Cup.

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